

RISK MANAGEMENT

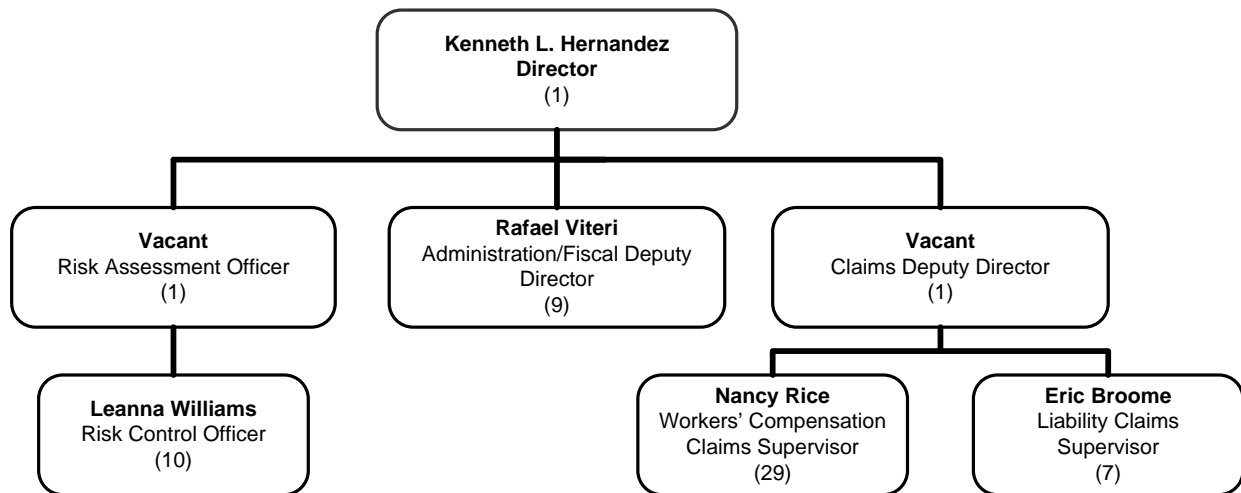
Kenneth L. Hernandez

DEPARTMENT MISSION STATEMENT

Risk Management seeks to minimize the frequency and severity of financial loss to the County through an Integrated Risk Management Program that includes identification and assessment of exposures that can result in loss, effective risk reduction and loss prevention programs for identified risks, aggressive claims management, and fiscally responsible risk financing and recovery.



ORGANIZATIONAL CHART



2015-16 SUMMARY OF BUDGET UNITS

	2015-16				
	Requirements	Sources	Net County Cost	Use of / (Contribution to) Fund Balance	Use of / (Contribution to) Net Position
Internal Service Funds					
Operations	5,949,976	5,950,149			(173)
Insurance Programs	100,188,045	103,105,819			(2,917,774)
Total Internal Service Funds	106,138,021	109,055,968			(2,917,947)
Total - All Funds	106,138,021	109,055,968	0	0	(2,917,947)

2014-15 MAJOR ACCOMPLISHMENTS

- Negotiated the renewal of the property coverage through CSAC-EIA (California State Association of Counties - Excess Insurance Authority) for substantially broader coverage, lower sub-limits, fewer exclusions, and less coverage restrictions for a premium of approximately \$4.0 million with net savings of \$500,000 in brokerage fees over the current policy.
- Purchased a Countywide Cyber Liability policy with \$20.0 million limits and a self-insured retention (SIR) of \$100,000 for \$184,927.



- Negotiated the renewal of Medical Malpractice coverage for the policy risk period of 7/1/14 through 7/1/15 with BETA Risk Management Authority, with a SIR of \$1.0 million, aggregate limits of \$35.0 million, for \$1.4 million which represents an annual premium decrease for 2014-15 of approximately 4.2% or \$62,407 as compared to 2013-14.
- Collaborated with key County departments (Public Works, Arrowhead Regional Medical Center, Children and Family Services and the Sheriff's Department) to establish a special notification process for incidents and claims which resulted in the referral of 20 incidents and claims for pre-litigation handling for 2014-15 (through April 3, 2015) which is an increase of four incidents and claims from 2013-14. This process has allowed Risk Management to gain better control at an earlier stage, resulting in less expensive resolutions in certain cases. Additionally, this process has resulted in the gathering of critical information earlier in the process which is protected under attorney/client privilege, thus allowing the County to make decisions regarding the direction of litigation at the earliest possible moment.
- Drafted MOUs and agreements with the Sheriff's Department transferring the risk exposures related to the use of work release inmates to the agencies benefitting from the services.
- Obtained Compromise and Release resolution of two, 20 year-old claims, due to effective collaboration between the stakeholders, including the County department, excess carrier and defense counsel.

DEPARTMENT PERFORMANCE MEASURES

COUNTY GOAL: OPERATE IN A FISCALLY-RESPONSIBLE AND BUSINESS-LIKE MANNER		Measure	2013-14 Actual	2014-15 Target	2014-15 Est.	2015-16 Target
OBJECTIVE	Develop a long-term budget plan which brings County operations into both fiscal and programmatic balance, including full funding of reserves for infrastructure and operation system maintenance and replacement.	Cost of risk as a percent of County budget.	1.83%	<2%	1.67%	<2%
STRATEGY	Minimize the total cost of risk, through the optimization of insurance vs. risk retention.					
COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS		Measure	2013-14 Actual	2014-15 Target	2014-15 Est.	2015-16 Target
OBJECTIVE	Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.	Number of people who are trained.	3,837	6,307	2,861	5,000
STRATEGY	Provide formal training courses and informal consultation targeting safety, loss control, and risk transfer needs as identified by departments.					
COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS		Measure	2013-14 Actual	2014-15 Target	2014-15 Est.	2015-16 Target
OBJECTIVE	Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.	Number of days from date of receipt of claim form to mailing of initial correspondence.	N/A	14	11.53	12
STRATEGY	Ensure injured employees receive timely explanation of benefits by decreasing the time it takes to mail the acceptance letter or delay notice (initial correspondence).					
COUNTY GOAL: IMPROVE COUNTY GOVERNMENT OPERATIONS		Measure	2013-14 Actual	2014-15 Target	2014-15 Est.	2015-16 Target
OBJECTIVE	Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.	Percentage of catastrophic cases referred for pre-litigation handling.	N/A	5%	21.10%	25%
STRATEGY	Reduce the number of catastrophic/high exposure cases resulting in lawsuits by resolving these pre-litigation.					



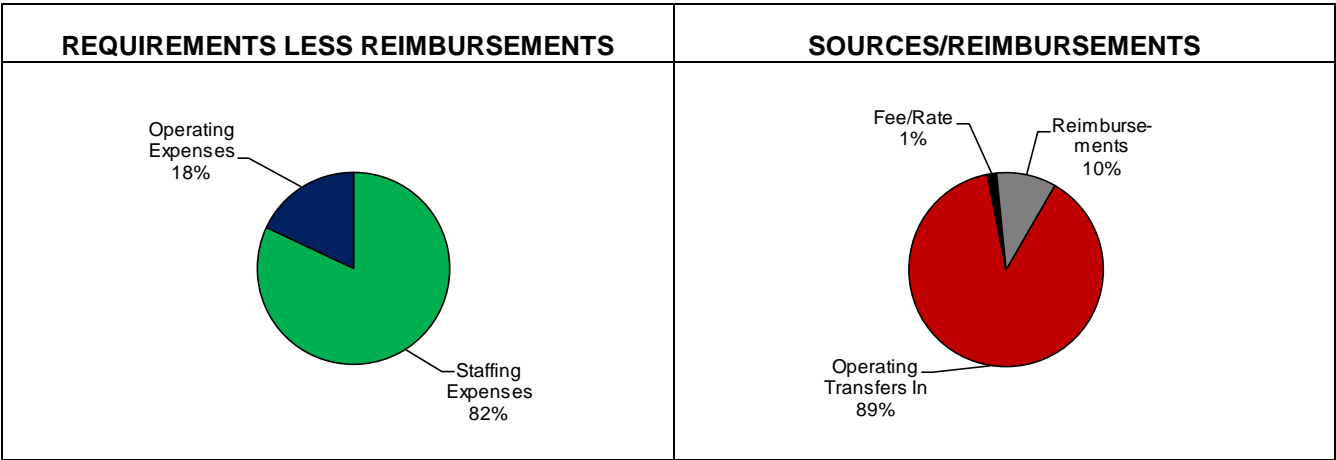
Operations

DESCRIPTION OF MAJOR SERVICES

Risk Management administers the County's self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs and its insured programs. All programs are paid from self-insurance funds and financed by charging general fund and non-general fund departments, as well as Board-Governed Special Districts and County Service Areas. Each is billed for its specific coverage for the cost to pay losses under the self-insured programs and the cost of insurance for the insured programs.

Budget at a Glance	
Requirements Less Reimbursements	\$6,601,609
Sources/Reimbursements	\$6,601,782
Use of / (Contribution To) Net Position**	(\$173)
Total Staff	58

2015-16 RECOMMENDED BUDGET



** Contribution to Net Position appears as a negative number and increases Estimated Net Position Available.



ANALYSIS OF 2015-16 RECOMMENDED BUDGET

GROUP: Administration
DEPARTMENT: Risk Management
FUND: Risk Management General Operations

BUDGET UNIT: IBP RMG
FUNCTION: General
ACTIVITY: Other General

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Estimate	2014-15 Modified Budget	2015-16 Recommended Budget	Change From 2014-15 Modified Budget
Requirements							
Staffing Expenses	5,118,796	5,078,130	5,228,966	5,021,257	5,464,773	5,413,805	(50,968)
Operating Expenses	1,323,224	1,547,328	1,347,222	1,066,245	1,089,653	1,187,804	98,151
Capital Expenditures	52,735	0	0	0	0	0	0
Total Exp Authority	6,494,755	6,625,458	6,576,188	6,087,502	6,554,426	6,601,609	47,183
Reimbursements	(634,025)	(621,566)	(628,623)	(649,082)	(649,082)	(651,633)	(2,551)
Total Appropriation	5,860,730	6,003,892	5,947,565	5,438,420	5,905,344	5,949,976	44,632
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	5,860,730	6,003,892	5,947,565	5,438,420	5,905,344	5,949,976	44,632
Sources							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	106,155	106,961	93,387	93,000	90,000	100,000	10,000
Other Revenue	(197,608)	(477,354)	(626,690)	30,000	30,000	30,173	173
Total Revenue	(91,453)	(370,393)	(533,303)	123,000	120,000	130,173	10,173
Operating Transfers In	5,920,689	6,183,948	6,227,438	5,785,344	5,785,344	5,819,976	34,632
Total Sources	5,829,236	5,813,555	5,694,135	5,908,344	5,905,344	5,950,149	44,805
Net Position							
Use of/ (Contribution to) Net Position**	31,494	190,337	253,430	(469,924)	0	(173)	(173)
Est. Net Position Available					0	470,097	470,097
Total Net Position					0	469,924	469,924
Budgeted Staffing*	61	58	59	57	57	58	1

*Data represents modified budgeted staffing

** Contribution to Net Position appears as a negative number and increases Estimated Net Position Available.

MAJOR EXPENDITURES AND REVENUE IN 2015-16 RECOMMENDED BUDGET

Staffing expenses make up the majority of the Department's expenditures within this budget unit for 2015-16. These expenses fund 58 budgeted positions and are necessary to administer the County's insurance programs.

Sources primarily include operating transfers in from the insurance funds which are financed through Board of Supervisor's approved premiums paid by departments, Board-Governed Special Districts, and County Service Areas.

BUDGET CHANGES AND OPERATIONAL IMPACT

Requirements are increasing by \$44,632 primarily due to increases in COWCAP and Information Services Department direct labor charges, which is offset by a decrease in transfers out. Sources are increasing by \$44,805 primarily due to an increase in operating transfers in from the insurance funds which also includes an increase in administrative fee revenue from the Emergency Medical Services Program.

ANALYSIS OF NET POSITION

For 2015-16 the Department's estimated Net Position Available of \$470,097 includes the estimated net position at the end of 2014-15 plus the anticipated contribution to net position in 2015-16. All services are provided on a cost-reimbursement basis from the insurance funds. In fiscal years where the result of operations contribute to net position in the operating budget, these funds are transferred back to the insurance funds which fund the operating budget.



2015-16 POSITION SUMMARY*

Division	2014-15 Modified Staffing	Adds	Deletes	Re-Orgs	2015-16 Recommended	Limited	Regular
Admin/Fiscal	12	0	0	0	12	0	12
Workers' Compensation	27	1	0	1	29	1	28
Liability	7	0	0	0	7	0	7
Risk Control	11	0	0	-1	10	0	10
Total	57	1	0	0	58	1	57

*Detailed classification listing available in Appendix D

STAFFING CHANGES AND OPERATIONAL IMPACT

Staffing expenses of \$5.4 million fund 58 budgeted positions of which 57 are regular positions and 1 is a limited term position. Staffing changes for 2015-16 include the addition of a limited term Office Assistant II position. This position will support clerical staff during peaks in workload throughout the year to ensure various deadlines are met.



Insurance Programs

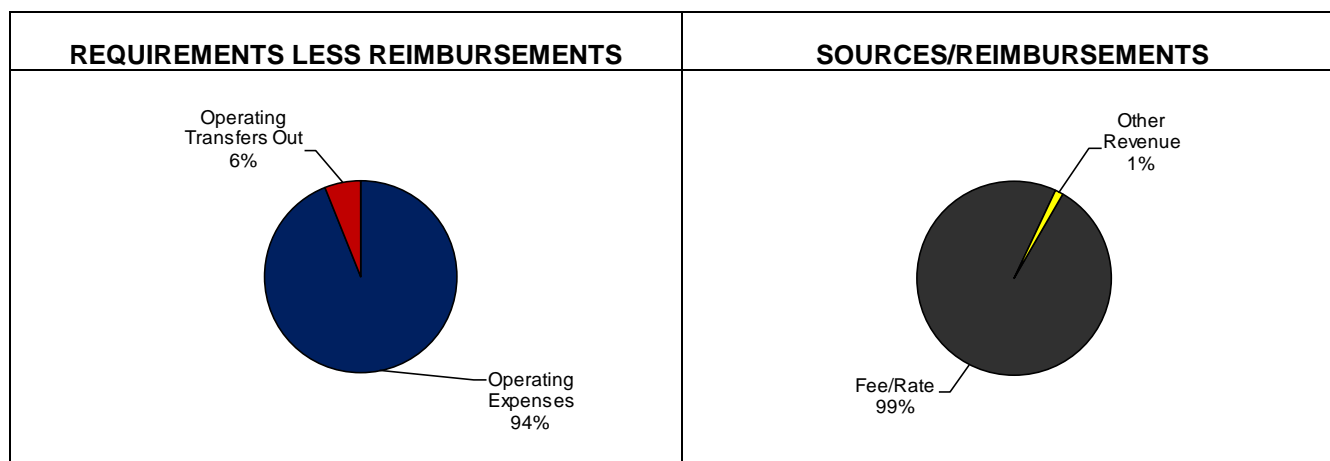
DESCRIPTION OF MAJOR SERVICES

Risk Management administers the County's self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs and its insured programs. All programs are financed by charging general fund and non-general fund departments, as well as Board-Governed Special Districts and County Service Areas. Each is billed for its specific coverage for the cost to pay losses under the self-insured programs and the cost of insurance for the insured programs.

Budget at a Glance

Requirements Less Reimbursements	\$100,188,045
Sources/Reimbursements	\$103,105,819
Use of / (Contribution To) Net Position**	(\$2,917,774)
Total Staff	0

2015-16 RECOMMENDED BUDGET



** Contribution to Net Position appears as a negative number and increases Estimated Net Position Available.



ANALYSIS OF 2015-16 RECOMMENDED BUDGET

GROUP: Administration
DEPARTMENT: Risk Management
FUND: Insurance Programs

BUDGET UNIT: VARIOUS
FUNCTION: General
ACTIVITY: Insurance Programs

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Estimate	2014-15 Modified Budget	2015-16 Recommended Budget	Change From 2014-15 Modified Budget
Requirements							
Staffing Expenses	0	0	0	0	0	0	0
Operating Expenses	67,173,901	62,512,745	68,403,173	66,175,712	90,260,545	94,056,831	3,796,286
Capital Expenditures	9,110	7,457	0	0	0	65,796	65,796
Total Exp Authority	67,183,011	62,520,202	68,403,173	66,175,712	90,260,545	94,122,627	3,862,082
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	67,183,011	62,520,202	68,403,173	66,175,712	90,260,545	94,122,627	3,862,082
Operating Transfers Out	6,235,825	7,059,078	6,262,212	5,785,344	6,785,344	6,065,418	(719,926)
Total Requirements	73,418,836	69,579,280	74,665,385	71,961,056	97,045,889	100,188,045	3,142,156
Sources							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	67,268,843	68,078,017	84,186,876	87,478,412	87,805,500	101,728,000	13,922,500
Other Revenue	2,334,747	3,075,228	3,786,298	1,382,271	1,783,685	1,377,819	(405,866)
Total Revenue	69,603,590	71,153,245	87,973,174	88,860,683	89,589,185	103,105,819	13,516,634
Operating Transfers In	0	(60,720,621)	0	0	0	0	0
Total Sources	69,603,590	10,432,624	87,973,174	88,860,683	89,589,185	103,105,819	13,516,634
Net Position							
Use of/ (Contribution to) Net Position**	3,815,246	59,146,656	(13,307,789)	(16,899,627)	7,456,704	(2,917,774)	(10,374,478)
Est. Net Position Available					0	27,274,105	27,274,105
Total Net Position					7,456,704	24,356,331	16,899,627
Budgeted Staffing*	0	0	0	0	0	0	0

*Data represents modified budgeted staffing

** Contribution to Net Position appears as a negative number and increases Estimated Net Position Available.

MAJOR EXPENDITURES AND REVENUE IN 2015-16 RECOMMENDED BUDGET

Requirements of \$100.2 million include judgment and settlement costs, medical treatment and expenses, temporary disability and loss earnings, property insurance, and legal defense services.

Sources of \$103.1 million primarily include Board of Supervisor's approved premiums paid by departments, Board-Governed Special Districts, and County Service Areas.

BUDGET CHANGES AND OPERATIONAL IMPACT

Requirements are increasing by \$3.1 million due to an increase in ongoing costly settlements and increased liability claim experience. Additionally, there are increased medical claims costs in workers' compensation.

Sources are increasing by \$13.5 million primarily due to additional premium allocations to the Law Enforcement Liability, General Liability, Auto Liability, and Workers' Compensation Programs to achieve the 80% confidence level of funding. It also includes a slight decrease in anticipated interest revenue and insurance recoveries.

ANALYSIS OF NET POSITION

For 2015-16 the Department's insurance programs budget has an estimated net position available of \$27.3 million which includes the beginning net position of \$24.4 million plus the anticipated contribution to net position of \$2.9 million. Net position supports the insurance programs in maintaining and reaching the 80% confidence level of funding as recommended by annual actuarial studies.



STAFFING CHANGES AND OPERATIONAL IMPACT

There is no staffing associated with this budget unit. Staff that administers these programs are budgeted in Risk Management's Operations budget unit.

